



IWS

Integrated Waste Solutions
Group Holdings Limited

綜合環保集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號：923

2014

INTERIM REPORT

中期報告



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DIRECTORS**Non-executive directors**

Mr. Cheng Chi Ming, Brian (*Chairman*)

Mr. Tsang On Yip, Patrick

Executive directors

Mr. Suen Wing Yip (*Chief Executive Officer*)

Mr. Lau Sai Cheong

Mr. To Chun Wai

Mr. Tam Sui Kin, Chris

Independent non-executive directors

Mr. Nguyen Van Tu, Peter

Mr. Chow Shiu Wing, Joseph

Mr. Wong Man Chung, Francis

BOARD COMMITTEES**Executive Committee**

Mr. Suen Wing Yip (*Chairman*)

Mr. Lau Sai Cheong

Mr. To Chun Wai

Mr. Tam Sui Kin, Chris

Audit Committee

Mr. Wong Man Chung, Francis (*Chairman*)

Mr. Cheng Chi Ming, Brian

Mr. Nguyen Van Tu, Peter

Mr. Chow Shiu Wing, Joseph

Remuneration Committee

Mr. Nguyen Van Tu, Peter (*Chairman*)

Mr. Tsang On Yip, Patrick

Mr. Chow Shiu Wing, Joseph

Mr. Wong Man Chung, Francis

Nomination Committee

Mr. Chow Shiu Wing, Joseph (*Chairman*)

Mr. Tsang On Yip, Patrick

Mr. Nguyen Van Tu, Peter

Mr. Wong Man Chung, Francis

COMPANY SECRETARY

Mr. Kot Koon Yue, Eric

AUTHORISED REPRESENTATIVES

Mr. Suen Wing Yip

Mr. Kot Koon Yue, Eric

AUDITOR

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

**REGISTERED OFFICE IN THE
CAYMAN ISLANDS**

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman

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Cayman Islands

**CORPORATE HEADQUARTERS AND
PRINCIPAL PLACE OF BUSINESS IN
HONG KONG**

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Kowloon

CORPORATE WEBSITE

www.iwsggh.com

STOCK CODE

The Stock Exchange of Hong Kong Limited

Ordinary Share (Stock Code: 923)

**CAYMAN ISLANDS PRINCIPAL
SHARE REGISTRAR AND
TRANSFER OFFICE**

Appleby Trust (Cayman) Limited

Clifton House

75 Fort Street

P.O. Box 1350

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KY1-1108

Cayman Islands

**HONG KONG SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

LEGAL ADVISER

As to Hong Kong law:

Troutman Sanders

4 MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The loss attributable to equity holders of the Company for the six months ended 30 September 2014 (the “Current Period”) amounted to HK\$64.8 million, an increase in loss of HK\$54.3 million when compared to the net loss for the six months ended 30 September 2013 (the “Last Period”). The increase in loss of the Current Period included an impairment loss of HK\$36.6 million in respect of the disposal of Golddoor Company Limited (“Golddoor”) by Wealthy Peaceful Company Limited (in voluntary winding up and dissolution) (“Wealthy Peaceful”), an indirect wholly owned subsidiary of the Company, carried out by its joint and several liquidators (the “Liquidators”).

On 24 April 2014, the Company was informed by the Liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and a third party (the “Purchaser”) pursuant to which Wealthy Peaceful agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Golddoor at a consideration of HK\$200,000,000 (the “Sale Transaction”). Golddoor is interested in the entire registered capital of 惠州福和紙業有限公司 (“Huizhou Fook Woo”, together with Wealthy Peaceful and Golddoor, the “De-consolidated Subsidiaries”).

The Group’s interests in the De-consolidated Subsidiaries have been classified as amounts due from the De-consolidated Subsidiaries under current assets in the consolidated statement of financial position sheet of the Group since 31 March 2012. The Sale Transaction was completed on 10 July 2014.

On the operational front, sales revenue of recovered paper registered a decline due largely to the overall reduction in demand for recovered paper, especially in the Mainland; more stringent controls recently imposed by the Mainland on importation of waste materials, and a general receding sale prices. Total sales revenue of recovered paper and materials amounted to approximately HK\$133.5 million, a drop of approximately HK\$14.7 million or 9.9% when compared to the Last Period. Moreover, the increase in the cost of sales in terms of soared labour costs and rental expenses has significantly eaten into the gross profit margin of recovered paper sales.

Performance of Tissue Paper segment was affected by the increase in purchasing costs with gross profit margin dropped from 19% to 14%.

Through diligent reconfiguration of its business modus operandi, a significant increase by 135% to approximately HK\$4.9 million was registered in the service income from our Confidential Materials Destruction Services (“CMDS”). The Group believes the future of CMDS is promising and will, therefore, continue optimizing its CMDS service scope by branching out into the destruction of materials other than paper and collecting other recyclable materials with value from the untapped markets.

PROSPECT

As promulgated in the 2014 Annual report, the Group will continue to diligently operate in Hong Kong its core businesses, including (i) waste materials collection and packaging depots; (ii) operation of confidential materials destruction services (“CMDs”); and (iii) marketing and selling of tissue paper products in Hong Kong, Macau and other overseas countries.

The revenue declined during the six-month period from HK\$258.1 million to HK\$244.4 million can be put down to a host of domestic and external challenges, not least being the rise in capital-intensive operating costs, fewer buyers committing to make longer term contracts, tightened importation control in the Mainland, and touch-and-go volatility in sale prices of paper products. Notwithstanding the turbulent economic environment, the Board of Directors is determined to align the Group with its changing environment by flexibly adapting and adjusting its strategic fit by which to sustain its competitiveness over the long run, and to position itself as a forerunner in integrated solid waste management. That the Group has planned to dabble in the treatment of Waste Electrical and Electronic Equipment (“WEEE”) reflects its resolve to transform its old business model by branching out into new facets of solid waste management on a step-wise fashion.

As all the above makes clear, the Board of Directors recognizes the importance to achieve an adequate margin of profit and will, therefore, not only strive to keep all comparative running costs at a viable level, but will also bide it's time to look for sustainable and profitable business opportunities by dint of the capital amassed from its recent open-offer. Furthermore, the Group believes that the recently completed TKO plant should help a long way in generating synergistic benefits in revenue and cost-saving. The Board of Directors is cognizant of the current financial plight, but feels positive about the future of the Group and that it will get better in its own right.

FINANCIAL RESOURCES

Liquidity and Financial Resources

As at 30 September 2014, the Group had unrestricted bank deposits and cash and cash equivalents of HK\$127.6 million (as at 31 March 2014: HK\$276.3 million). The Group had no bank loans and overdrafts as at 30 September 2014 and 31 March 2014.

As at 30 September 2014, the Group had net current assets of approximately HK\$164.0 million, as compared to net current assets of approximately HK\$486.0 million as at 31 March 2014. The significant decrease was mainly due to the payment of construction costs in respect of the industrial development in Tseung Kwan O (the “Project TKO”). The current ratio of the Group was 2.2 as at 30 September 2014 as compared to 4.7 as at 31 March 2014.

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On 25 July 2014 (as amended by the clarification announcement dated 29 July 2014), the Company announced its proposal to raise not less than approximately HK\$482 million before expense, by issuing 2,411,167,000 offer shares at the subscription price of HK\$0.20 per offer share on the basis of one offer share for every one share held by the qualifying shareholders on 18 September 2014 and payable in full on application (the "Open Offer"). The Company intends to apply the net proceeds from the Open Offer up to approximately HK\$236 million to finance the capital expenditure of the Project TKO and other fixed assets; to finance up to approximately HK\$189 million the expansion of the Group's solid waste management and logistics businesses; and to put to good use the remaining estimated net proceeds of approximately HK\$47 million as general working capital. The Open Offer was completed on 14 October 2014.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in United States dollars and Hong Kong dollars. Most of the raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

During the Current Period, the Group recorded a net foreign exchange loss of HK\$0.2 million (Last Period: exchange gain of HK\$4.8 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the Current Period, the Group incurred HK\$229.2 million for the construction expenditure in respect of the Project TKO, which is expected to complete in late 2014. As at 30 September 2014, the Group has capital commitments of HK\$97.5 million, which are mainly related to the Project TKO. This represented capital expenditures committed for property, plant and equipment which to be funded by the proceeds from the Open Offer and internal resources.

Pledge of Assets

As at 30 September 2014, the Group had restricted bank deposit amounted to HK\$2.4 million (31 March 2014: HK\$2.4 million) which were pledged with banks for the purpose of issuing guarantees to suppliers to secure supply of materials.

Capital Structure

Details of the capital structure of the Company are set out in note 13 to the interim financial report.

Contingent Liabilities

As of 30 September 2014, the Group initiated a host of claims for loss and damage against its former directors and employees. At this point in time, it is premature to appraise the likely outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group had employed approximately 374 employees in Hong Kong. Employee costs, excluding directors' emoluments, amounted to HK\$31.3 million for the Current Period (Last Period: HK\$26.6 million).

All Group companies are equal opportunity employers and their selection and promotion of employees are merit-based. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. Thus far, the Group has not experienced any significant labour disputes or substantial staff exodus that might lead to serious disruption of its business operations.

SHARE OPTION SCHEME

The Company has also adopted a share option scheme on 11 March 2010 (the "Share Option Scheme"). On 25 April 2014, the Board announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company's shares are granted, subject to the acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK\$0.542 per share. As at 30 September 2014, 65,248,000 options were accepted by the grantees.

Share Options granted are exercisable during the year starting from 25 July 2014 to 24 April 2020. The options granted under the Share Option Scheme are subject to vesting period in three tranches of the following:

Tranche	Vesting Period
1	20% are exercisable from 25 July 2014 to 24 April 2020 (up to 20% of the share options granted are exercisable)
2	50% are exercisable from 25 April 2016 to 24 April 2020 (up to 70% of the share options granted are exercisable)
3	30% are exercisable from 25 April 2018 to 24 April 2020 (all share options granted are exercisable)

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The following table discloses movements of the Company's share options held by the Directors and employees of the Group during the Current Period:

Eligible participants	As at 1 April 2014	Granted and accepted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	Outstanding as at 30 September 2014
Directors	–	43,600,000	–	–	43,600,000
Employees	–	21,648,000	–	2,100,000	19,548,000
Total	–	65,248,000	–	2,100,000	63,148,000

As at 30 September 2014, the total number of shares available for issue under the Share Option Scheme was 12,813,600 Shares, which represented approximately 0.531% of the Shares in issue as at that date.

The fair value of the share options granted during the period with exercise price per share of HK\$0.542 (subsequently being adjusted to HK\$0.444) are estimated at approximately HK\$12,378,958, using the binomial pricing model. Values are appraised based on the risk-free rate of 1.34% per annum with reference to the rate prevailing on Exchange Fund Notes, an expected volatility of 52.10%, assuming dividend yield of 0% per annum and an expected option life of about six years.

The binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. On 14 October 2014, the Board announced that as a result of the completion of the Open Offer, adjustments have been made to the exercise price of the Share Options and the number of Shares falling to be issued under the outstanding Share Options granted under the Share Option Scheme. The adjustments (the "Adjustments") to the exercise price and the number of the Shares falling to be issued under the outstanding Share Options will take effect from 15 October 2014. The number of Shares falling to be issued under the outstanding Share Options is 76,746,711 and the exercise price of Share Options after the Adjustments is HK\$0.444 per Share.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Current Period (Last Period: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, the interests or short positions of the Directors and chief executives in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to: (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares

Name of Director	Capacity	Interest in shares	Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding as at 30 September 2014
Cheng Chi Ming, Brian	Chairman/Non-executive Director	–	9,000,000	0.373%
Tsang On Yip, Patrick	Non-executive Director	–	7,200,000	0.299%
Suen Wing Yip	Executive Director	–	6,400,000	0.265%
Lau Sai Cheong	Executive Director	–	5,400,000	0.224%
To Chun Wai	Executive Director	–	5,000,000	0.207%
Tam Sui Kin Chris	Executive Director	–	4,300,000	0.178%
Nguyen Van Tu, Peter	Independent Non-executive Director	–	2,100,000	0.087%
Chow Shiu Wing, Joseph	Independent Non-executive Director	–	2,100,000	0.087%
Wong Man Chung, Francis	Independent Non-executive Director	–	2,100,000	0.087%

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's Share Option Scheme adopted by the shareholders of the Company on 11 March 2010 the Company has granted to certain Directors options to subscribe Shares, details of which as at 30 September 2014 were as follows:

Name of Director	Date of Grant	Exercisable period	Exercise Price per share HK\$	Number of Shares subject to the outstanding options as at 01.04.2014	Granted and accepted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	As at 30 September 2014	
								Number of Shares subject to outstanding options	Approximate percentage of shareholding
Cheng Chi Ming, Brian	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	1,800,000	–	–	1,800,000	0.074%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	4,500,000	–	–	4,500,000	0.187%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	2,700,000	–	–	2,700,000	0.112%
Tsang On Yip, Patrick	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	1,440,000	–	–	1,440,000	0.060%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	3,600,000	–	–	3,600,000	0.149%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	2,160,000	–	–	2,160,000	0.090%
Suen Wing Yip	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	1,280,000	–	–	1,280,000	0.053%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	3,200,000	–	–	3,200,000	0.132%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	1,920,000	–	–	1,920,000	0.080%
Lau Sai Cheong	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	1,080,000	–	–	1,080,000	0.045%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	2,700,000	–	–	2,700,000	0.112%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	1,620,000	–	–	1,620,000	0.067%
To Chun Wai	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	1,000,000	–	–	1,000,000	0.041%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	2,500,000	–	–	2,500,000	0.104%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	1,500,000	–	–	1,500,000	0.062%

Name of Director	Date of Grant	Exercisable period	Exercise Price per share HK\$	Number of Shares subject to the outstanding options as at 01.04.2014	Granted and accepted during the Current Period	Exercised during the Current Period	Cancelled/ Lapsed during the Current Period	As at 30 September 2014	
								Number of Shares subject to outstanding options	Approximate percentage of shareholding
Tam Sui Kin, Chris	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	860,000	–	–	860,000	0.036%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	2,150,000	–	–	2,150,000	0.089%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	1,290,000	–	–	1,290,000	0.053%
Nguyen Van Tu, Peter	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	420,000	–	–	420,000	0.017%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	1,050,000	–	–	1,050,000	0.044%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	630,000	–	–	630,000	0.026%
Chow Shiu Wing, Joseph	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	420,000	–	–	420,000	0.017%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	1,050,000	–	–	1,050,000	0.044%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	630,000	–	–	630,000	0.026%
Wong Man Chung, Francis	25.04.2014	25.07.2014 – 24.04.2020	0.542	–	420,000	–	–	420,000	0.017%
	25.04.2014	25.04.2016 – 24.04.2020	0.542	–	1,050,000	–	–	1,050,000	0.044%
	25.04.2014	25.04.2018 – 24.04.2020	0.542	–	630,000	–	–	630,000	0.026%

Notes:

- (1) These share options represent personal interest held by the relevant participants as the beneficial owners.
- (2) The eligible participants are entitled to exercise the share options during the following periods:
 - (i) 20% of the share options from 25 July 2014;
 - (ii) another 50% of the share options from 25 April 2016;
 - (iii) the remaining 30% of the share options from 25 April 2018, and in each case, not later than 24 April 2020.

Save as disclosed above, as at 30 September 2014, none of the Directors of the Company had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, in which a Director of the Company had a material interest, subsisted at the end of the period or at any time during the Current Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2014, the following persons (other than the Directors and chief executives of the Company) had interests and short positions of 5% or more in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Note	Capacity	Number of ordinary Shares held*	% of the issued share capital of the Company
City Legend International Limited ("City Legend")	1	Beneficial owner	785,100,000(L)	32.56%
Mr. Leung Kai Kuen ("Mr. Leung")	1	Interest in a controlled corporation	785,100,000(L)	32.56%
Dato' Dr. Cheng Yu Tung	2, 5	Interest in controlled corporations	488,640,375(L)	20.27%
	3	Interest in controlled corporations	1,940,342,600(L)	80.47%
Chow Tai Fook Nominee Limited ("CTF Nominee")	2	Interest in controlled corporations	366,275,000(L)	15.19%
		Beneficial owner	122,365,375(L)	5.07%
	6	Beneficial owner	1,574,067,600(L)	65.28%
	4	Interest in a controlled corporation	366,275,000(L)	15.19%

OTHER INFORMATION

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Name of Shareholder	Note	Capacity	Number of ordinary Shares held*	% of the issued share capital of the Company
Victory Day Investments Limited	2	Interest in controlled corporations	366,275,000(L)	15.19%
	4	Interest in a controlled corporation	366,275,000(L)	15.19%
Smart On Resources Ltd.	2	Beneficial owner	366,275,000(L)	15.19%
	4	Interest in a controlled corporation	366,275,000(L)	15.19%
Firstrate Enterprises Limited		Beneficial owner	151,875,000(L)	6.30%

* The letter "L" denotes the person's long position in the Shares.

Notes:

- (1) Mr. Leung was deemed to be interested in these 785,100,000 shares of the Company which were held by City Legend, a corporation wholly-owned by Mr. Leung.
- (2) Smart On Resources Ltd. is wholly-owned by Victory Day Investments Limited (a wholly-owned subsidiary of CTF Nominee). CTF Nominee is wholly-owned by Dato' Dr. Cheng Yu Tung.
- (3) Taking into account: (i) 1,451,702,225 Offer Shares (2,411,167,000 new Shares proposed to be offered to the Shareholder(s), other than the Excluded Shareholder(s) for subscription under the Open Offer), being the maximum number of Offer Shares underwritten by CTF Nominee under the Open Offer, assuming the Exercisable Options (the outstanding Share Options which have been vested, in aggregate 13,049,600 Share Options, which are exercisable from 25 July 2014 to 24 April 2020) having been exercised in full on or before 18 September 2014; and (ii) the Committed Shares (being the 488,640,375 Offer Shares in aggregate). Such number of Shares do not take into account of the 9,000,000 Share Options (which confer rights to subscribe for an aggregate of 9,000,000 Shares upon full exercise of such Share Option) held by Mr. Cheng Chi Ming, Brian, a non-executive Director and the Chairman of the Company, who is a concert party of CTF Nominee. As at 16 September 2014, 1,800,000 Share Options of the Share Options held by Mr. Cheng Chi Ming, Brian are Exercisable Options. To the best knowledge of the Company and having made all reasonable enquiries, Mr. Cheng Chi Ming, Brian has no intention to exercise the 1,800,000 Exercisable Options held by him at any time on or before 18 September 2014.

- (4) Taking into account the number of Shares to be subscribed by Smart On Resources Ltd. (being the number of Shares held by Smart On Resources Ltd. as at 30 September 2014, which is 366,275,000 Shares) under the Open Offer.
- (5) Dato' Dr. Cheng Yu Tung was deemed to be interested in 488,640,375 Shares. 122,365,375 Shares and 366,275,000 Shares are held by CTF Nominee and Smart On Resources Ltd. respectively, both are corporations wholly-owned by Dato' Dr. Cheng Yu Tung.
- (6) Taking into account: (i) 1,451,702,225 Offer Shares, being the maximum number of Offer Shares underwritten by CTF Nominee under the Open Offer, assuming the Exercisable Options having been exercised in full on or before 18 September 2014; and (ii) the 122,365,375 Offer Shares to be subscribed by CTF Nominee (being the number of Shares held by CTF Nominee as at 16 September 2014, which is 122,365,375 Shares) under the Open Offer. Such number of Shares do not take into account of the 9,000,000 Share Options (which confer rights to subscribe for an aggregate of 9,000,000 Shares upon full exercise of such Share Option) held by Mr. Cheng Chi Ming, Brian, a non-executive Director and the Chairman of the Company, who is a concert party of CTF Nominee. As 16 September 2014, 1,800,000 Share Options of the Share Options held by Mr. Cheng Chi Ming, Brian are Exercisable Options. To the best knowledge of the Company and having made all reasonable enquiries, Mr. Cheng Chi Ming, Brian has no intention to exercise the 1,800,000 Exercisable Options held by him at any time on or before 18 September 2014.
- (7) Pursuant to the underwriting agreement dated 25 July 2014 in relation to the Open Offer, VMS Securities Limited should underwrite all the remaining balance of the Offer Shares not taken up by the Qualifying Shareholders (as defined in the prospectus of the Company dated 19 September 2014) and not underwritten by CTF Nominee of not less than 481,269,000 shares under the Open Offer. As a result of the completion of the Open Offer, no Offer Shares were made available for subscription by VMS Securities Limited.
- (8) None of the Directors are a director or employee of any of the substantial shareholders of the Company disclosed in this section.

Save as disclosed above, as at 30 September 2014, no person, other than the Directors whose interests and short positions are set out in the section headed "Directors' and Chief Executives' Interests or Short Positions in Shares and Underlying Shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Immediately after the completion of the Open Offer, the following persons (other than the Directors and chief executives of the Company) had interests and short positions of 5% or more in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Note	Capacity	Number of ordinary Shares held*	% of the issued share capital of the Company
City Legend	1	Beneficial owner	785,100,000(L)	16.28%
Mr. Leung	1	Interest in a controlled corporation	785,100,000(L)	16.28%
Dato' Dr. Cheng Yu Tung	2	Interest in controlled corporations	2,263,151,835(L)	46.93%
CTF Nominee	2	Interest in controlled corporations	732,550,000(L)	15.19%
		Beneficial owner	1,530,601,835(L)	31.74%
Victory Day Investments Limited	2	Interest in controlled corporation	732,550,000(L)	15.19%
Smart On Resources Ltd.	2	Beneficial owner	732,550,000(L)	15.19%

Notes:

- (1) City Legend is wholly-owned by Mr. Leung. Mr. Leung is deemed to be interested in the 785,100,000 Shares which are held by City Legend.
- (2) Smart On Resources Limited is wholly owned by Victory Day Investments Limited (a wholly-owned subsidiary of CTF Nominee). CTF Nominee is wholly-owned by Dato' Dr. Cheng Yu Tung.

Save as disclosed above, immediately after the completion of the Open Offer, no person, other than the Directors whose interests and short positions are set out in the section headed "Directors' and Chief Executives' Interests or Short Positions in Shares and Underlying Shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2014.

The Company will continue to uphold its corporate governance practices conducive to good conduct and business growth, and review regularly its corporate governance to ensure compliance with the regulatory requirements and to meet the expectations of shareholders and investors.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for dealing in securities of the Company by the Directors.

Having made specific enquiries by the Company with the Directors for the six months ended 30 September 2014, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2014.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES OF THE COMPANY

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. Having made specific enquiry of the Relevant Employees, all the Relevant Employees confirmed that they have complied with the required standards set out in the Own Code during the six months ended 30 September 2014. No incident of non-compliance of the Own Code by any Relevant Employee was noted by the Company during the six months ended 30 September 2014.

UPDATE ON DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There are no change in any of information in respect of directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises of three independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph and one non-executive Director, Mr. Cheng Chi Ming, Brian.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the Current Period with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the Current Period have been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Current Period.

EVENT AFTER THE END OF THE REPORTING PERIOD

As disclosed under the section headed "Share Option Scheme" above regarding the completion of the Open Offer on 14 October 2014, the number of shares in issue of the Company immediately after the completion of the Open Offer has increased to 4,822,334,000. Please refer to the announcement of the Company dated 14 October 2014 for details in relation to the result of Open Offer.

Saved as disclosed above, there are no other material events affecting the Group which have occurred since the end of the concerned financial period.

By Order of the Board

Integrated Waste Solutions Group Holdings Limited

Cheng Chi Ming, Brian

Chairman

Hong Kong, 27 November 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 – UNAUDITED
(Expressed in Hong Kong Dollars)

	Note	Six months ended 30 September	
		2014 \$'000	2013 \$'000
Continuing operations			
Revenue	5	244,438	258,123
Cost of sales		(221,004)	(229,779)
Gross profit		23,434	28,344
Other revenue		4,295	4,410
Other net gains		100	5,205
Selling and distribution expenses		(32,653)	(21,763)
Administrative and other operating expenses		(37,606)	(32,719)
Operating loss		(42,430)	(16,523)
Finance income	6	1,523	5,576
Share of loss of an associate		–	(844)
Loss before taxation	6	(40,907)	(11,791)
Income tax	7	(351)	1,321
Indemnity receipt of tax in respect of prior years	7(a)	13,071	–
Loss from continuing operations		(28,187)	(10,470)
Discontinued operations			
Impairment loss on amounts due from De-consolidated Subsidiaries	14	(36,572)	–
Loss and total comprehensive income for the period		(64,759)	(10,470)
Attributable to equity shareholders of the Company	9		
– Continuing operations		(28,187)	(10,470)
– Discontinued operations		(36,572)	–
		(64,759)	(10,470)
Basic and diluted loss per share	9		
– Continuing operations		(1.2) cents	(0.4) cents
– Discontinued operations		(1.5) cents	–
		(2.7) cents	(0.4) cents

The notes on pages 23 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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AT 30 SEPTEMBER 2014
(Expressed in Hong Kong Dollars)

		30 September 2014 \$'000 (Unaudited)	31 March 2014 \$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	642,951	405,770
Land use rights		27,903	28,330
Prepayments and other receivables		32,422	9,818
		703,276	443,918
Current assets			
Inventories		5,754	5,345
Trade and bills receivables	11	100,488	77,453
Other receivables, deposits and prepayments		59,631	47,180
Amounts due from related companies		594	594
Bank deposits and cash		127,566	276,326
Restricted and pledged bank deposits		2,403	2,400
		296,436	409,298
Assets and liabilities of disposal group classified as held for sale	14	–	208,900
		296,436	618,198
Current liabilities			
Trade payables	12	35,394	12,058
Other payables and accruals		93,313	117,115
Amounts due to related companies		10	10
Taxation payable		3,677	3,035
		132,394	132,218
Net current assets		164,042	485,980
Total assets less current liabilities		867,318	929,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2014
(Expressed in Hong Kong Dollars)

		30 September	31 March
		2014	2014
	<i>Note</i>	\$'000	\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		825	1,116
NET ASSETS		866,493	928,782
CAPITAL AND RESERVES			
Share capital	13	241,117	241,117
Reserves		625,376	687,665
TOTAL EQUITY		866,493	928,782

The notes on pages 23 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 – UNAUDITED
(Expressed in Hong Kong Dollars)

<i>Note</i>	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Share- based capital reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 April 2013	241,117	2,862,358	(964,044)	–	(725,761)	1,413,670
Changes in equity for the six months ended 30 September 2013:						
Loss and total comprehensive income for the period	–	–	–	–	(10,470)	(10,470)
At 30 September 2013	241,117	2,862,358	(964,044)	–	(736,231)	1,403,200
At 1 April 2014	241,117	2,862,358	(964,044)	–	(1,210,649)	928,782
Changes in equity for the six months ended 30 September 2014:						
Loss and total comprehensive income for the period	–	–	–	–	(64,759)	(64,759)
Equity settled share-based transactions	13(c)	–	–	2,470	–	2,470
At 30 September 2014	241,117	2,862,358	(964,044)	2,470	(1,275,408)	866,493

The notes on pages 23 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 – UNAUDITED
(Expressed in Hong Kong Dollars)

	<i>Note</i>	Six months ended 30 September	
		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash used in operations		(51,074)	(69,715)
Income tax paid		–	(871)
Net cash used in operating activities		(51,074)	(70,586)
Cash flows from investing activities			
Purchase of property, plant and equipment		(273,188)	(57,902)
Proceeds from disposal of property, plant and equipment		422	818
Prepayments for purchase of property, plant and equipment		(21,707)	(3,049)
Proceeds from disposal of Golddoor	14	195,000	–
Proceeds received from deposits with maturity greater than 3 months		23,766	–
Interest received		2,013	4,457
Net cash used in investing activities		(73,694)	(55,676)
Cash flows from financing activities			
Increase in restricted and pledged bank deposits		(3)	(950)
Net cash used in financing activities		(3)	(950)
Net decrease in cash and cash equivalents		(124,771)	(127,212)
Cash and cash equivalents at the beginning of the period		252,560	548,041
Exchange difference on cash and cash equivalents		(223)	3,964
Cash and cash equivalents at the end of the period		127,566	424,793

The notes on pages 23 to 44 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Integrated Waste Solutions Group Holdings Limited (“the Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries are collectively referred to as the “Group”. The subsidiaries of the Group are principally engaged in the trading and manufacturing of recovered paper and materials, trading of tissue paper products, provision of confidential materials destruction services and provision of logistics services.

These consolidated financial statements are presented in Hong Kong dollars (\$).

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, promulgated by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the changes mentioned in note 3.

The preparation of an interim financial report in conformity with IAS 34, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The annual financial statements for the year ended 31 March 2014 are available from the Company’s registered office. The auditors have expressed a qualified opinion on those financial statements in their report dated 30 June 2014.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (continued)

The interim financial report has been reviewed by the auditors pursuant to the International Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

In the course of preparing its interim financial report for the six months ended 30 September 2011, the Board of Directors of the Company (the “Board”) were made aware of evidence indicating the potential existence of irregularities with respect to a payment of deposit of RMB100,000,000 (approximately HK\$120,000,000) recorded in the books of 惠州福和紙業有限公司 (“Huizhou Fook Woo”), a wholly-owned subsidiary of the Group (the “Incident”). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company’s shares on the Stock Exchange.

On 29 November 2011, the Company received a cash deposit of HK\$120,000,000 (approximately RMB100,000,000) (the “Deposit”). The Board represented that the Deposit was placed by a former Director of the Company. The Deposit was recorded as amount due to Huizhou Fook Woo in the consolidated statement of financial position and the Company’s statement of financial position as at 31 March 2012. On 2 December 2011, the Board established an independent special committee (the “Special Committee”) to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another independent accounting firm to conduct a forensic review into the Incident and the Deposit (the “Forensic Review”) following the preliminary investigation results of the previous independent accounting firm.

Based on the results of the Forensic Review, the Board concluded that the payment relating to the Incident was not in fact made and the amount was not transferred out of accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review revealed, among other things, certain irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Given the loss of a substantial portion of the accounting books and records and the fact that most of the key accounting personnel and previous management left the Group and are now not contactable, the Board believes that, as at the date of this interim report, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the interim financial report of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (continued)

On 31 January 2013, Wealthy Peaceful Company Limited (“Wealthy Peaceful”), a wholly-owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members and the voluntary liquidators were appointed on the same date. Wealthy Peaceful, and its wholly-owned subsidiaries, namely Golddoor Company Limited (“Golddoor”) and Huizhou Fook Woo are collectively referred to as the “De-consolidated Subsidiaries”.

Given these circumstances, the Directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group’s consolidated financial statements since 1 April 2011. A resulting loss on de-consolidation of approximately \$415,549,000, which was determined based on the net asset value of the De-consolidated Subsidiaries as at 1 April 2011, was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2012.

As at 31 March 2012, the total amounts due from De-consolidated Subsidiaries to the Group and the Company, as recorded in the books and records before any impairment provision, amounted to approximately HK\$2,262,677,000 and HK\$1,157,845,000 respectively. The directors assessed the recoverability of these balances based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012 which was assessed to be HK\$532,172,000, as the Directors considered this to be the earliest practicable date for such a valuation given the aforementioned circumstances. Accordingly, impairment losses on balances due from the De-consolidated Subsidiaries of approximately HK\$1,730,505,000 and HK\$625,673,000 were recognised in the consolidated statement of profit or loss and other comprehensive income and the Company’s financial statements for the year ended 31 March 2012 respectively. During the year ended 31 March 2013, the Group waived amounts due from De-consolidated Subsidiaries of HK\$2,500,000 and accordingly, this amount was written off and charged to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2013.

On 24 April 2014, the Company was informed by the liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party (the “Purchaser”) pursuant to which Wealthy Peaceful agreed to dispose of the entire issued share capital of Golddoor at a consideration of \$200,000,000 (the “Sale Transaction”). Golddoor was interested in the entire registered capital of Huizhou Fook Woo. Given these circumstances, the Group presented the amounts due from De-consolidated Subsidiaries as “assets and liabilities of disposal group classified as held for sale” which were measured at the lower of the carrying amount and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. The Group recognised an impairment loss of the amounts due from De-consolidated Subsidiaries amounting to \$431,638,000 for the year ended 31 March 2014 following the assessment of the recoverable amount of amounts due from De-consolidated Subsidiaries.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (continued)

On 27 June 2014, the liquidators of Wealthy Peaceful informed the Company that the Purchaser had remitted the consideration and the Sale Transaction was completed in July 2014.

The exclusion of the results and cash flows of the De-consolidated Subsidiaries from the interim financial report is a departure from the requirements of International Financial Reporting Standard 10 “Consolidated financial statements” (“IFRS 10”) and International Financial Reporting Standard 5 “Non-current Assets Held for Sale and Discontinued Operations” (“IFRS 5”). Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, the Directors are unable to ascertain the financial impact of the non-consolidation of the De-consolidated Subsidiaries on the interim financial report.

Except for the matters referred to above, including the non-consolidation of the De-consolidated Subsidiaries, the interim financial report of the Group has been prepared in accordance with IAS 34.

The interim financial report has been prepared under the historical cost convention.

3 Accounting policies

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 March 2014 except the changes mentioned below.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements.

- Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amounts disclosure for non-financial assets*

Amendments to IAS 32 clarified some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not have a significant impact on the Group’s financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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(Expressed in Hong Kong dollars unless otherwise indicated)

3 Accounting policies (continued)

Amendments to IAS 36 modified certain disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units whose recoverable amount is based on fair value less costs of disposal. The amendments do not have a significant impact on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014.

There have no changes in the risk management department since 31 March 2014 or in any risk management policies.

Fair value measurement

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

For other non-current financial assets and liabilities, their carrying amounts are not significantly different to their respective fair values, therefore no disclosure of the fair values of these financial instruments is made.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- Recovered paper and materials: sales of recovered papers and materials
- Tissue paper products: sales of tissue paper products
- Confidential materials destruction service (“CMDS”): provision of confidential materials destruction services
- Logistics services: provision of logistics services

Although the Group's products and services are sold/rendered to Hong Kong, the People's Republic of China (the “PRC”) and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits. The Group's revenue consists of the following:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	\$'000	\$'000
Sales of recovered paper and materials	133,467	148,140
Sales of tissue paper products	103,217	107,878
Provision of CMDS	6,329	2,105
Provision of logistics services	1,425	–
	244,438	258,123

The Group's revenue from external customers in which the sales were originated during the current and the prior period was attributed to Hong Kong.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2014 are as follows:

	Six months ended 30 September 2014				
	Recovered paper and materials \$'000	Tissue paper products \$'000	CMDS \$'000	Logistics \$'000	Group \$'000
Continuing operations					
<i>Segment revenue:</i>					
Sales to external customers	133,467	103,217	6,329	1,425	244,438
Inter-segment sales	–	–	–	18,550	18,550
Reportable segment revenue	133,467	103,217	6,329	19,975	262,988
Elimination of inter-segment revenue					(18,550)
					244,438
<i>Segment results:</i>					
Reportable segment profit	13,807	14,749	(7,915)	15,333	35,974
Elimination of inter-segment profits					(12,540)
Reportable segment profit derived from group's external customers					23,434
Unallocated operating costs					(65,864)
Finance income, net					1,523
Loss before taxation					(40,907)
Income tax					(351)
Indemnity receipt of tax in respect of prior years					13,071
Loss from continuing operations					(28,187)
Discontinued operations					
Impairment loss on amounts due from De-consolidated Subsidiaries					(36,572)
Loss for the period					(64,759)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (continued)

	Six months ended 30 September 2013			
	Recovered paper and materials \$'000	Tissue paper products \$'000	CMD5 \$'000	Group \$'000
Continuing operations				
<i>Segment revenue:</i>				
Sales to external customers	148,140	107,878	2,105	258,123
<i>Segment results:</i>				
Reportable segment profit	8,468	20,310	(434)	28,344
Unallocated operating costs				(44,867)
Share of loss of an associate				(844)
Finance income, net				5,576
Loss before taxation				(11,791)
Income tax				1,321
Loss from continuing operations and for the period				(10,470)

The following transactions between the Group and the De-consolidated Subsidiaries (i.e. discontinued operation) have been included as part of "continuing operations" since the sale and supply relationship between the Group and De-consolidated Subsidiaries will continue after the disposal. Revenue and cost of sales in respect of these transactions included in the continuing operations are analysed as follows:

	Unaudited Six months ended 30 September	
	2014 \$'000	2013 \$'000
Sales to De-consolidated Subsidiaries	–	43,777
Cost of sales related to purchase from De-consolidated Subsidiaries	41,456	86,343

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Loss before taxation

Loss before taxation is stated after charging/(crediting) of the following:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	\$'000	\$'000
Other items		
Cost of inventories sold	178,665	182,396
Amortisation of land use rights	427	412
Depreciation of property, plant and equipment	10,051	6,413
Gain on disposal of property, plant and equipment	(323)	(365)
Operating lease charges in respect of land and buildings	19,300	18,560
Equity settled share-based payments (<i>note 13(c)</i>)	2,470	–
Exchange loss/(gain), net	223	(4,840)
Interest income from bank deposits	(1,523)	(5,576)

7 Income tax

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	\$'000	\$'000
Current income tax		
– Hong Kong Profits Tax	642	851
Over-provision in prior periods	–	(1,001)
Penalty surcharge and interest	–	259
	642	109
Deferred tax		
– Origination and reversal of temporary differences	(291)	(1,430)
Income tax expenses/(credit)	351	(1,321)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 September 2014.

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Income tax (continued)

(a) Indemnity receipt of tax in respect of prior years

Mr. Leung Kai Kuen, the former director and one of the substantial shareholders of the Company and Ms. Tam Ming Luen, the then substantial shareholder of the Company, have entered into a deed of indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of the cash payment for any additional tax assessment for the year of assessment 2002/2003 and any other notices of additional assessment that may be received by any member of the Group for and including the years of assessment from 2003/2004 to 2009/2010 in respect of the Additional Tax Assessments referred in note 9(a)(ii) of the annual report of the Group for the year ended 31 March 2014 (the "Deed of Indemnity").

Given the uncertainties about the likelihood of recovering such payments from Mr. Leung Kai Kuen and Ms. Tam Ming Luen, the incremental tax liability arose from the Additional Tax Assessments was recorded as the Group's income tax liabilities as at 31 March 2012 and 31 March 2013 and charged to the consolidated statement of profit or loss and other comprehensive income of the Group in prior years despite the above mentioned indemnity arrangement.

On 15 April 2014, the Group received a total sum of \$13,070,705 from Ms. Tam Ming Luen for full and final settlement of the above matter arrangement (the "Indemnity Receipt"). The Indemnity Receipt was recorded in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2014.

8 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2014 (2013: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to the equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2014	2013
	\$'000	\$'000
Loss attributable to equity shareholders of the Company		
– Continuing operations	(28,187)	(10,470)
– Discontinued operations	(36,572)	–
	(64,759)	(10,470)
Weighted average number of ordinary shares in issue (thousand shares)	2,411,167	2,411,167
Basic loss per share (in cents)		
– Continuing operations	(1.2) cents	(0.4) cents
– Discontinued operations	(1.5) cents	–
	(2.7) cents	(0.4) cents

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company from continuing and discontinued operations of approximately HK\$28,187,000 and HK\$36,572,000 respectively (2013: HK\$10,470,000 and HK\$Nil respectively) and on the weighted average number of 2,411,167,000 (2013: 2,411,167,000) ordinary shares in issue during both interim periods.

Diluted loss per share

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2014 and the effect of loss per share is anti-dilutive.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Property, plant and equipment

During the six months ended 30 September 2014, the Group acquired items of property, plant and equipment with aggregate costs of \$233,676,000 (2013: \$53,863,000).

Items of property, plant and equipment were disposed of during the six months ended 30 September 2014 with a net book value amounting to \$99,000 (2013: \$453,000).

11 Trade and bills receivables

	30 September 2014 \$'000 (Unaudited)	31 March 2014 \$'000 (Audited)
Trade and bills receivables	105,858	82,823
Less: Provision for impairment	(5,370)	(5,370)
	<hr/>	<hr/>
Trade and bills receivables, net	100,488	77,453
	<hr/>	<hr/>

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bill receivables based on transaction date were as follows:

	30 September 2014 \$'000 (Unaudited)	31 March 2014 \$'000 (Audited)
0 – 30 days	50,868	33,906
31 – 60 days	30,550	18,058
61 – 90 days	4,933	12,184
91 – 120 days	2,752	5,299
Over 120 days	16,755	13,376
	<hr/>	<hr/>
	105,858	82,823
Less: Provision for impairment	(5,370)	(5,370)
	<hr/>	<hr/>
	100,488	77,453
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Trade payables

	30 September	31 March
	2014	2014
	\$'000	\$'000
	(Unaudited)	(Audited)
Trade payables	35,394	12,058

The ageing analysis of the Group's trade payables based on due date at the end of the reporting period is as follows:

	30 September	31 March
	2014	2014
	\$'000	\$'000
	(Unaudited)	(Audited)
Current	6,045	2,437
1 – 30 days	22,457	6,811
31 – 60 days	3,395	24
61 – 90 days	178	69
91 – 120 days	35	2
Over 120 days	3,284	2,715
	35,394	12,058

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves**(a) Authorised share capital of the Company**

	30 September 2014 \$'000 (Unaudited)	31 March 2014 \$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of \$0.10 each	500,000	500,000

(b) Issued share capital of the Company

	Number of ordinary shares	Ordinary shares \$
Issued and fully paid:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 30 September 2014	2,411,167,000	241,116,700

On 25 July 2014, the Company announced that it proposed to issue not less than 2,411,167,000 shares and not more than 2,424,216,600 shares of \$0.10 each by way of an open offer issue in the proportion of one offer share for every one ordinary share then held by qualifying shareholders at a subscription price of \$0.20 per offer share (the "Open Offer").

On 14 October 2014, the Company completed the Open Offer and issued 2,411,167,000 shares for gross proceeds of \$482,233,000. The difference of \$230,764,000 between the net proceeds of \$471,881,000 (after deduction of related expenses of approximately \$10,352,000) and the par value of shares issued of \$241,117,000 has been credited to the share premium account of the Company.

These newly issued shares rank pari passu in all respects with the existing shares. The net proceeds from the Open Offer will be used to finance the capital expenditure of a new waste management facility in Tseng Kwan O, Hong Kong, the expansion of the Group's waste management and logistics businesses and for general working capital purpose.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves (continued)**(c) Equity settled share-based transactions**

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company adopted a share option scheme on 11 March 2010 (the "Share Option Scheme"). The purpose of the share option scheme is to provide incentives to the Group's employees including the executive directors and non-executive directors and any advisers, consultants, suppliers, customers and agents (each "eligible participant"). The Board of Directors of the Company may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

- the closing price of the shares of the Company stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves (continued)

(c) Equity settled share-based transactions (continued)

On 25 April 2014, the Group announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company's shares were granted, subject to acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of \$0.542 per share. These options may be exercised from 25 July 2014 to 24 April 2020 (both dates inclusive) subject to the vesting periods. As of the date of this report, 65,248,000 options were accepted by the grantees.

Date of grant	Exercise price	Exercisable period	Granted and accepted during the period	Number of share options		
				Exercised during the period	Cancelled/ Lapsed during the period	Balance in issue at 30 September 2014
Directors						
- 25 April 2014	0.542	25 July 2014 to 24 April 2020	43,600,000	-	-	43,600,000
Employees						
- 25 April 2014	0.542	25 July 2014 to 24 April 2020	21,648,000	-	2,100,000	19,548,000

Share option expenses charged to the consolidated statement of profit or loss and other comprehensive income are determined using the binomial lattice model based on the following assumptions:

Fair value at measurement date	\$0.190
Share price at measurement date	\$0.328
Exercise price	\$0.542
Expected volatility	52.10%
Expected average life of options	2.2 years
Expected dividend yield	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.34%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves (continued)**(c) Equity settled share-based transactions (continued)**

The expected volatility is based on the historic volatility on comparable companies listed on the same stock exchange (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

14 Disposal of entire equity interests in Golddoor Company Limited (“Golddoor”)

As at 31 March 2014, the Group was made aware of the fact that the liquidators of Wealthy Peaceful Limited had initiated a tender process to locate a buyer to acquire the entire equity interests in Golddoor. In April 2014, the liquidator of Wealthy Peaceful Limited entered into a binding agreement with an independent third party (the “Purchaser”), pursuant to which Wealthy Peaceful Limited agreed to dispose of its entire equity interests in Golddoor (together with its subsidiary, Huizhou Fook Woo) for a consideration of HK\$200,000,000 (the “Sale Transaction”).

On 27 June 2014, the liquidators of Wealthy Peaceful Limited informed the Company that the Purchaser had remitted the consideration. The Sale Transaction was completed in July 2014 and the consideration was fully settled by the Purchaser.

Given the above circumstances, the Group presented the amounts due from De-consolidated Subsidiaries as “assets and liabilities of disposal group classified as held for sale” which were measured at the lower of the estimated recoverable amount and carrying amount of amounts due from De-consolidated Subsidiaries at 31 March 2014.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Disposal of entire equity interests in Golddoor Company Limited (“Golddoor”) (continued)

The recoverable amount from the disposal was estimated by the Group as at 31 March 2014 as follows:

	\$'000
Consideration payable by the independent third party	200,000
Less: Estimated legal and professional fees	(2,500)
	197,500
Amounts expected to be recoverable from De-consolidated Subsidiaries in respect of De-consolidated Subsidiaries from 1 April 2012 to 31 March 2014 (note)	49,242
Amounts expected to be payable to De-consolidated Subsidiaries in respect of transactions with De-consolidated Subsidiaries from 1 April 2012 to 31 March 2014	(37,842)
	208,900
Estimated recoverable amount	208,900

Note:

The Group has received monthly repayment of HK\$3,800,000 from the De-consolidated Subsidiaries in respect of the transactions with the De-consolidated Subsidiaries from 1 April 2012 to 31 March 2014.

The carrying amounts of the amounts due from De-consolidated Subsidiaries as at 31 March 2014 comprised of:–

	\$'000
Property, plant and machinery based on valuation at 30 September 2012	532,172
Net amounts due from De-consolidated Subsidiaries resulting from transactions with the De-consolidated Subsidiaries from 1 April 2012 to 31 March 2014	108,366
	640,538
	640,538

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Disposal of entire equity interests in Golddoor Company Limited (“Golddoor”) (continued)

At 31 March 2014, the Group’s and the Company’s amounts due from De-consolidated Subsidiaries and the Company’s interests in subsidiaries were determined to be impaired. Impairment losses on amounts due from De-consolidated Subsidiaries of approximately HK\$431,638,000 were recognised as the result of “Discontinued operations” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014. The impairment losses were measured as the difference between the carrying amount and the estimated recoverable amount from the disposal of Golddoor (together with its subsidiary, Huizhou Fook Woo).

In September 2014, the Group entered into agreement with the De-consolidated Subsidiaries pursuant to which the Group decided not to demand for the De-consolidated Subsidiaries of the monthly repayment of HK\$3,800,000. Accordingly, the Group considered the previously estimated amount expected to be receivable from the De-consolidated Subsidiaries of HK\$49,242,000, of which the Group has subsequently recovered the amounts of HK\$12,670,000 and the remaining amounts of HK\$36,572,000 are considered to be irrecoverable and further provision for impairment loss was made for the six months ended 30 September 2014.

15 Capital commitments

	30 September 2014 \$’000 (Unaudited)	31 March 2014 \$’000 (Audited)
Contracted but not provided for		
– Property, plant and equipment	97,540	282,438

16 Contingent liabilities

At 30 September 2014, the Group has lodged certain claims against its former directors and employees. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Related party transaction**(a) The following transactions were carried out with related parties during the period:**

		Unaudited	
		Six months ended	
		30 September	
		2014	2013
	Note	\$'000	\$'000
Rental expenses in respect of land and buildings			
paid to E&I Development Limited ("E&I")	(i)	1,650	1,650
Management fee paid and payable to Lai Wah			
Shipping Company ("Lai Wah")	(ii)	–	624
Management fee paid and payable to Fook Woo			
Waste Paper Company	(iii)	–	447
Sales to De-consolidated Subsidiaries		–	43,777
Purchase from De-consolidated Subsidiaries		41,456	86,343
Logistics fee paid and payable to De-consolidated			
Subsidiaries		214	362
Management fee paid and payable to			
De-consolidated Subsidiaries		2,640	780
Sales to Fook Fung Loi Co., Limited ("Fook Fung Loi")		94	–
Management fee income received and receivable			
from Fook Fung Loi		870	–
Interest income received and receivable from			
Fook Fung Loi		120	–

Notes:

- (i) These represented the rental expenses for leasing of office space paid to E&I. The controlling shareholders of E&I are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The rental expenses were charged at pre-determined rates mutually agreed between both parties.
- (ii) The amount represented waste loading services provided by Lai Wah. The sole proprietor of Lai Wah is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Related party transaction (continued)**(a) (continued)***Notes:*

- (iii) The amount represented waste paper management services provided by Fook Woo Waste Paper Company, a company owned by Mr. Leung Tat Piu, an ex-director of the Company, at the Tai Po packing station. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

(b) Year- end balances with related parties

The amounts due from/(to) related companies were denominated in HK Dollar. Except for the amount due from Fook Fung Loi Co., Limited, the other balances are unsecured, interest-free and repayable upon demand. The amount due from Fook Fung Loi Co., Limited is unsecured, interest bearing and will be repaid in March 2017. The carrying values of these balances approximate their fair values.

Amounts due from related companies, net of impairment provisions are disclosed as follows:

Name	Relationship	30 September	31 March
		2014	2014
		\$'000	\$'000
		(Unaudited)	(Audited)
Huizhou Fook Woo	A de-consolidated subsidiary of the Company	–	208,900
Fook Fung Loi Co., Limited	An associate of the company	5,400	4,500
E&I	Controlling shareholders are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	562	562
Lai Wah	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the company	10	10

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Related party transaction (continued)

(c) Key management compensation

During the six months ended 30 September 2014, no transactions have been entered into with the directors of the Company other than the emoluments paid to them (2013: Nil).

18 Approval of interim financial report

The interim financial report was approved by the Board on 27 November 2014.



**Review report to the board of directors of
Integrated Waste Solutions Group Holdings Limited**
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 18 to 44 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 September 2014 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE 2410"). A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Basis for qualified conclusion

As disclosed in note 2 to the interim financial report, in November 2011, the directors of the Company were made aware of evidence indicating the existence of potential irregularities with respect to certain accounting records and transactions recorded in the books of 惠州福和紙業有限公司 (“Huizhou Fook Woo”), a wholly-owned subsidiary of the Group. As a result, in December 2011 the Board of Directors established an independent special committee (the “Special Committee”) to investigate these potential irregularities. Based on the Special Committee’s investigation, the directors concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

These events led, among other things, to the decision by the directors of the Company that Wealthy Peaceful Company Limited (“Wealthy Peaceful”), the intermediate holding company of Huizhou Fook Woo and itself a wholly-owned subsidiary of the Group incorporated in the British Virgin Islands, would commence voluntary liquidation by a resolution of members on 31 January 2013, and the voluntary liquidators were appointed on the same date.

In April 2014, the Company was informed by the liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party (the “Purchaser”), pursuant to which Wealthy Peaceful agreed to dispose of its entire equity interests in Golddoor Company Limited (“Golddoor”) (the “Sale Transaction”). Golddoor holds the entire registered capital of Huizhou Fook Woo.

On 27 June 2014, the liquidators of Wealthy Peaceful informed the Company that the Purchaser had remitted the consideration and the Sale Transaction was completed in July 2014.

Given these circumstances, in preparing the consolidated financial statements for the years ended 31 March 2013 and 31 March 2014, the directors of the Company have excluded Wealthy Peaceful, together with its wholly-owned subsidiaries Golddoor and Huizhou Fook Woo (collectively referred to as “the De-consolidated Subsidiaries”) from the Group’s consolidated financial position, consolidated financial results and consolidated cash flows from the earliest periods presented.

These events and actions taken by the directors of the Company, further details of which are set out in note 2 have given rise to the following matters which form the basis for our qualified conclusion:

(a) Departure from International Financial Reporting Standard 10, consolidated financial statements

Given these the events and circumstances as described in note 2 to the interim financial report, the Group presented the amounts due from De-consolidated Subsidiaries as "assets and liabilities of disposal group classified as held for sale" which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. The Group recognised an impairment loss of the amounts due from De-consolidated Subsidiaries amounting to \$431,638,000 for the year ended 31 March 2014 following the assessment of the recoverable amounts due from De-consolidated Subsidiaries.

The exclusion of results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 "*Consolidated financial statements*" ("IFRS 10") and International Financial Reporting Standard 5 "*Noncurrent Assets Held for Sale and Discontinued Operations*" ("IFRS 5"). In our auditor's report dated 30 June 2014 on the consolidated financial statements of the Group for the year ended 31 March 2014, we reported the same matter which resulted in a qualified opinion. Had the financial results of the De-consolidated Subsidiaries been consolidated as required by IFRS 10 and IFRS 5, the Group would have consolidated and presented the financial results of the De-consolidated Subsidiaries as "*Discontinued operations*" for the year ended 31 March 2014 and from 1 April 2014 until the date of disposal in July 2014 and the net cashflows attributable to operating, investing and financing activities of the discontinued operations would have been presented separately in the consolidated statement of cashflows. Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, we are unable to ascertain the financial impact of the non-consolidation of the De-consolidated Subsidiaries on the interim financial report.

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(b) Insufficient audit evidence in respect of balances and transactions with the De-consolidated Subsidiaries in respect of prior years

Because of the loss of certain accounting books and records of Huizhou Fook Woo and the de-consolidation of the De-consolidated Subsidiaries and details as set out in note 2 to the interim financial report, in our auditor's report dated 23 August 2013 on the consolidated financial statements of the Group for the year ended 31 March 2013 we reported that we were unable to obtain sufficient appropriate audit evidence to determine whether the balances with the De-consolidated Subsidiaries as at 31 March 2012 and 31 March 2013 and transactions with the De-consolidated Subsidiaries for the years then ended were free from material misstatement. In addition, we were not able to obtain sufficient appropriate audit evidence to determine whether the impairment losses of the amounts due from De-consolidated Subsidiaries and the loss on de-consolidation for the year ended 31 March 2012 were free from material misstatement. In our auditor's report dated 30 June 2014 on the consolidated financial statements of the Group for the year ended 31 March 2014, we reported that this matter remained unresolved and therefore our audit for that year was subject to the same limitation of scope.

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified conclusion

Based on our review, except for the effect of the matters described in part (a) of the "Basis for qualified conclusion" paragraph and except for the possible effects on the corresponding figures of the matters described in part (b) of the "Basis for qualified conclusion" paragraph, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 November 2014



Integrated Waste Solutions
Group Holdings Limited
綜合環保集團有限公司*